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C O N F I D E N T I A L SECTION 01 OF 02 SANTO DOMINGO 005727

SIPDIS

DEPT PASS USTR FOR VARGO,RYCKMAN, MALITO, CRONIN; DEPT FOR
WHA, WHA/CAR, WHA/EPSC, EB/TPP/BTA; NSC FOR SHANNON AND
MADISON;
USCINCSO ALSO FOR POLAD;TREASURY FOR OASIA-LCARTER
USDOC FOR 4322/ITA/MAC/WH/CARIBBEAN BASIN DIVISION
USDOC FOR 3134/ITA/USFCS/RD/WH; DHS FOR CIS-CARLOS ITURREGUI

E.O. 12958: DECL: 06/04/2014

TAGS: [ETRD](#) [PGOV](#) [DR](#)

SUBJECT: DEMARCHES TO DOMINICANS ON HIGH FRUCTOSE CORN SYRUP

REF: STATE 220252

Classified By: DCM Lisa Kubiske. Reason: 1.4 (a) and (d).

1. (U) Summary. EcoPol counselor delivered talking points urging rapid repeal of the 25 percent tax on fructose-sweetened drinks to Deputy Foreign Minister Alejandra Liriano on October 14. She accepted the document and undertook to pass it on. EcoPol counselor and poloff met Senator Alejandro Santos, chair of the special committee considering repeal, on October 18. Santos said that the 7-member committee appointed to study the repeal measure is stacked in favor of the FTA, but that the votes are not yet there in the broader Senate to pass the repeal measure. He and other Senators continue to work toward repeal. Santos released to the press on October 19 the text of USTR Amb. Zoellick's October 4 letter to U.S. congressional leaders counseling against inclusion of the Dominican Republic in CAFTA if the 25 percent tax is retained. End summary.

2. (C) EcoPol counselor delivered reftel talking points urging rapid repeal of the 25 percent tax on fructose-sweetened drinks to Deputy Foreign Minister Alejandra Liriano on October 14. She accepted the document and undertook to pass it on.

3. (C) On Monday, October 18, after senators returned from their constituencies, EcoPol counselor and poloff met with Senator Alejandro Santos (PRD - Salcedo), president of the Senate Trade Committee and chair of the special committee appointed by Senate President Bautista to examine the draft proposal to repeal the 25 percent tax. Santos, a proponent of the free trade agreement (FTA), initially asked whether there was any prospect that the U.S. authorities might offer to show some flexibility concerning the desires of the sugar sector -- as a means of moving enough senators away from their previous vote, delivered less than 3 weeks ago. Emboffs told him that there was no chance; the decision of President Fernandez to appeal directly to President Bush on behalf of the sugar sector had further diminished Dominican credibility in Washington. Every day that passed was reducing the chances for the Dominican Republic. Planning for regional meetings on sanitary and phytosanitary standards did not include the Dominican Republic, and unless the tax were repealed quickly, the country would not be included in December consultations on trade capacity building. Santos asked whether there might be some prospect of help, however modest, that would permit the sugar sector to adjust to losses caused by the FTA; emboffs said that was highly unlikely, given the vigorous attacks of the sector over a period of months.

4. (C) Santos says that the 7-member committee appointed to study the repeal measure is stacked in favor of the FTA, with only one firm proponent of the 25 percent tax. For now, however, he does not see sufficient votes for repeal in the broader Senate. The committee heard out sugar sector representatives this morning and plans to meet with the association of free zone manufacturers (ADOZONA), who made a vigorous public presentation on October 13 arguing the need to preserve jobs and promote competitiveness with the FTA. He expects to meet again with ADOZONA president Arturo

Peguero and to urge the industrialists to approach their legislators in systematic fashion to argue in favor of repeal and the FTA. In his public comments Santos stresses "the need to save the FTA."

15. (C) Emboffs discussed with Santos the full set of talking points (reftel) and again stressed the urgency of the measure. The agreement with the Dominican Republic is only one part of a much wider trade strategy for the United States; further delay could well lead to a situation in which the advantage of the "demonstration effect" to other trade partners of dropping the country for manifest inability to deliver on its commitments could outweigh the diminishing interest in keeping the Dominican Republic.

16. (C) Santos concluded that the committee has less time to act than members had thought. Some had suggested waiting until after the U.S. elections, he commented -- a notion that Emboffs dismissed as dangerous and counterproductive. Santos will suggest that Senate president Andres Bautista invite the Ambassador to meet soon with the full Senate of 32 members, in closed session in Bautista's office. He believes that the most effective approach would be to focus on the advantages to the country of the FTA, avoiding polemics.

17. (SBU) Santos inquired whether he might release to the press the text of USTR Amb. Zoellick's letter of October 4 to U.S. congressional leaders transmitting CAFTA texts and recommending against inclusion of the Dominican Republic if the tax is retained. Emboffs encouraged him to do so, and the story ran prominently in all major newspapers on October 19, along with Santos' comment to journalists about the "need to save the FTA."

HERTELL